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C O N F I D E N T I A L SECTION 01 OF 03 PRETORIA 000797

SIPDIS

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TAGS: [ECON](#) [PGOV](#) [SF](#)
SUBJECT: SOUTH AFRICA CAMPAIGN FUNDING

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Classified By: Economic Counselor Perry E. Ball. Reasons 1.4 (b) and (d).

¶1. (C) Summary: The Helen Suzman Foundation hosted a seminar on April 15 to discuss the country's laws on political party funding, an issue which the media and electorate have largely ignored in the run-up to South Africa's election on 22 April.

Panelists agreed that both the source and amounts of private funding are largely unknown. They also argued that the lack of campaign funding laws in South Africa is damaging the integrity of South Africa's democracy, opening parties up to corrupt practices and diminishing the power of the electorate to influence policy. End Summary.

¶2. (C) On the eve of South Africa's fourth democratic election, the Helen Suzman Foundation hosted a seminar on campaign finance issues on April 15. Panelists included Institute for Democracy in South Africa (IDASA) political analysts Steven Friedman and Shameela Seedat, Institute for Security Studies (ISS) Head of Corruption and Governance Program Hennie van Vuuren, and Business Leadership South Africa CEO Michael Spicer. In the absence of clear regulations, the panelists argued that political party funding is the biggest threat to the country's democracy and international reputation.

THE GREATEST THREAT TO DEMOCRACY

¶3. (C) Approximately 220 million rand (\$24 million) is being spent on South Africa's election this year, according to IDASA estimates. Around 80 million rand of this is from public funding based on political parties' percentage of representation in the National Assembly. Seedat noted that a total of 19 parties received public funding, with the ANC receiving the lion's share of 33 million rand, the Democratic Alliance receiving 9.6 million rand, and the Inkatha Freedom Party receiving 4.8 million rand. In addition to the public funding, political parties also use front companies to raise funds. The ANC's Chancellor House is one of the best-known, and has been accused of getting preferential treatment with regards to government tenders. (Note: Critics allege that Chancellor House is more and less than a normal investment house, being made up of senior ANC operatives who benefit from preferential access to public contracts and purchase of privatized public assets. It is further alleged that the ANC is a regular recipient of money transferred from Chancellor's House's profits. End Note)

¶4. (C) Seedat stated that no one has any idea who or what

businesses, countries, or foreign political parties make up the difference between the public and private funding, nor does anyone know how the money is being spent. This year marks the first year that political parties are using television ads as a campaign tool, she said, but noted that there have been very few -- only from ANC and DA thus far -- and that such ads cost approximately 3 million rand (\$320,000) each. Friedman also rhetorically asked why smaller parties' complain so much that they need more money, saying it begs the question of why they need more since "campaign posters can only cost so much."

DOOR TO CORRUPTION WIDE-OPEN

15. (C) All panelists agreed that the lack of transparency leaves the door open to corruption, with van Vuuren quipping that unregulated political contributions are criminalizing politics and drowning out the electorate. He also argued that more broadly, the conflict of private and public interests should be addressed, noting the 2006 Auditor General's report that pointed out that over 50,000 civil servants also have private business interests. Friedman reminded the audience that the definition of corruption should be broad, and include not just who gets what tender but also who gets what appointments with whom.

16. (C) The level of corruption seems to flow both ways as well, with domestic corporations at the provincial and local levels being pressured by "unnamed" parties to give with the implicit threat that they will not be rewarded if they do not, according to van Vuuren.

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FOREIGN FUNDING BUILDS EXPECTATIONS

17. (C) Van Vuuren, Spicer, and Friedman also spoke at length about the historical relationship between foreign parties or states and South African political parties. Both Friedman and van Vuuren mentioned South Africa's refusal to issue the Dalai Lama a visa last month as just another example of foreign influence over South Africa's foreign policy, implying South Africa's actions were in response to Chinese pressure. Friedman added that it was no accident that ANC Treasurer Mathews Phosa was such a key part of a recent South Africa-China Investment Forum, even though he is not a government official. (Note: The South African Government denied the Dalai Lama a visa on 23 March to attend a peace conference linked to the 2010 World Cup, saying his presence would distract from their preparations to host the event. Local media claim that China, supposedly an ANC funder, pressured South Africa not to grant the visa. End Note.)

18. (C) Friedman also argued that historically apartheid bred a culture of dependency on foreign funding, with apartheid officials giving foreign governments funding in exchange for their support, while the ANC received foreign funding to help it fight apartheid. ANC members in exile, especially, came back to South Africa without personal or organization assets, but with such an enormous sense of entitlement -- to housing, cars, private educations for their children -- that a host of actors were happy to oblige in exchange for political influence, whether it was soft or hard influence.

LEGISLATION LONG WAY AWAY

19. (C) The same day as the conference, Phosa publicly said that there will be no law forcing any party to disclose donors until there are sufficient levels of political

funding. He also implied that this is not possible in South Africa, saying, "If taxpayers pay peanuts, they get monkeys."

Spicer believes that South Africa's laissez-faire environment about donations is hypocritical since South Africa is a signatory to the AU Convention Against Corruption and since legislation regulating political contributions has become "an international norm." Not surprisingly, all panelists agreed that it is unlikely the ANC-led National Assembly will enact any kind of campaign finance legislation, citing a lack of support from the ANC and political will from all parties. Shameela and Spicer both admitted that many parties are afraid that donations would dry up if donors had to disclose their contributions. Regulations could also convince companies to simply complain the process is too onerous and stop contributing completely, which is what Spicer called a "cop-out." Alternatively, Spicer noted that many companies have come up with formulas -- for example, giving according to proportional representation or 50 percent to ANC and 50 percent to the opposition -- implying that this could also dissuade political parties from asking for more.

RECOMMENDATIONS

¶10. (C) Panelists recommended various reforms, many of which are already applied in the US:

- Enact legislation forcing parties to disclose all funding or that above a certain amount;
- Set thresholds for reporting contributions, both cash and in-kind;
- Have a truly independent oversight mechanism;
- Take the issue to court again (Note: IDASA took 5 political parties to court in 2003 to demand that they disclose their contributors under the Freedom of Information Act but lost the case. End Note.)
- Encourage businesses to adopt codes regarding funding that are widely communicated, published in annual reports, consistently applied, and cover all contributions including perks like trips abroad for both politicians and their children, and is fully documented "with a long paper trail

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right to the party's bank account;"

- Create a central democracy fund where all political donations flow through one account that is monitored by the Independent Electoral Commission and distributed equally; and
- Either increase public funding of political parties or fund publicly based on matching funds parties raise themselves.

COMMENT

¶11. (C) Regulation of political party funding could limit the scope of corruption and enhance the rights of all voters, making the one man-one vote principal more than just theoretical. However, despite the perennial debates in think tank circles on the subject, there is next to no chance of legislation regulating party finances in the foreseeable future. The lack of public concern about the situation is reflected in the lack of interest within the ruling party, suggesting both a lack of information or apathy among the public and a degree of complacency within the ruling ANC party. Moreover, the laws would be meaningless in the absence of enforcement mechanisms.

LA LIME